



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Adopt Resolution Increasing Fee for Returned Check Charges from \$25 to \$35.

**MEETING DATE:** May 6, 2009

**PREPARED BY:** Jordan Ayers, Deputy City Manager

**RECOMMENDED ACTION:** Adopt Resolution raising the fee for each returned check from \$25 to \$35 as provided by Government Code 6157.

**BACKGROUND INFORMATION:** In 2003, the City Council adopted Resolution 2003-137 setting the fee for returned checks in accordance with Section 1719 of the Civil Code. Section 1719 provides that a check-writer of the dishonored check shall be liable to the payee for a service charge in an amount not to exceed \$25 for the first check dishonored, and an amount not to exceed \$35 for each subsequent check dishonored.

Current cost for processing each returned check is \$ 64.24 (Exhibit A). A survey of other California cities and their returned check charges is also attached (Exhibit B). Other jurisdictions are currently charging between \$10 and \$55 for returned checks, with \$25 being the most common charge among the surveyed jurisdictions. Local businesses and banks were also surveyed and their charges range from \$25 to \$35 for each returned check (Exhibit C).

Government Code 6157 (Exhibit D) provides however, that "if any personal check offered in payment pursuant to this section is returned without payment, for any reason, a reasonable charge for the returned check, not to exceed the actual costs incurred by the public agency, may be imposed to recover the public agency's processing and collection costs".

The primary goal of the proposed increase is to recover at least a portion of the cost of processing returned checks. Also, it could be a potential deterrent for customers who are writing checks without sufficient funding. An analysis of the returned checks shows a 40-percent increase from 2003 to 2008 (549 to 767). Revenues generated from Returned Check fees totaled \$20,385 in FY 2006/07 and \$19,160 in FY 2007/08. Collections through April 30, 2009 totaled \$16,990.

**FISCAL IMPACT:** A nominal increase in General Fund revenues would be expected from the fee increase.

**FUNDING AVAILABLE:** N/A

  
Jordan Ayers, Deputy City Manager/Internal Services Director

APPROVED:   
Blair King, City Manager

CITY OF LODI									
PROCESSING COSTS FOR RETURNED CHECKS									
02/26/2009									
<b>FINANCE - Collections</b>								<b>TIME</b>	<b>COST</b>
CSR II current hourly wage plus benefits:				\$34.80				<b>minutes</b>	
<b>Activity</b>									
Write acc. # , name on bank slip for identification, add \$25. to ck. amt, date crdited.								5	\$ 2.90
Access R/C register, enter acc. #, \$ amt. of check. Key in \$25. R/C fee.								5	2.90
Key entries to computer to reverse credits, run reports.								3	1.74
Make photocopies of check written to other departments - non utility.								5	2.90
Verify entries on cash report, account #, \$ amount; edit to reports.								5	2.90
2nd return check = \$25. charge; requires letter to customer "cash only status".								5	2.90
Redeem returned check for customer, update utility account.								3	1.74
<b>F &amp; M Bank charges</b>									6.00
<b>Sub Total (Office) Each Check</b>									<b>\$ 23.98</b>
<b>Electric - FIELD SERVICES</b>									
Field Service Rep = current hourly wage + benefits				\$ 38.22					
<b>Activity</b>									
Generation and mailing of 48 hour notice								15	\$9.56
Physical shut off (requires 2 persons), Field Service Rep. II								25	31.85
If paid, Physical Turn on ( requires 2 person)								25	31.85
<b>Sub Total (Field) Each Check</b>									<b>\$73.26</b>
<b>Less: Reconnect charge</b>									<b>(\$33.00)</b>
<b>Total (Office and Field) Each Check</b>									<b>\$ 64.24</b>

**SURVEY OF CALIFORNIA CITIES AND OTHER PUBLIC AGENCIES- 3/24/2009**

**EXHIBIT B**

	<b>NSF CHARGE</b>
Rolling Hills Estates	\$ 10.00
Laguna Niguel	10.00
Temple	10.00
Carpinteria Valley Water District	15.00
Desert Water Agency	15.00
El Monte	15.00
Redwood City	15.00
San Clemente	15.00
Yorba Linda	15.00
San Luis Obispo	18.75
Antioch	20.00
Humboldt Community Services District	20.00
Mesa Consolidated Water District	20.00
Ripon	20.00
Sonora	20.00
Hermosa Beach	22.00
La Palma	22.00
Santa Paula	23.00
Gardena	24.50
Alhambra	25.00
Alturas	25.00
Belmont	25.00
Calimesa	25.00
Carpinteria	25.00
Coachella	25.00
Cotati	25.00
Elk Grove	25.00
Grover Beach	25.00
Lakewood	25.00
Live Oak	25.00
Livermore Area Recreation & Park District	25.00
Lynwood	25.00
Pittsburg	25.00
Poway	25.00
Roseville	25.00
San Rafael	25.00
Suisun	25.00
Vacaville	25.00
Vista	25.00
Waterford	25.00
Yuima Municipal Water District	25.00
Cathedral	25.75
Galt	30.00
Menlo Park	30.00
San Gabriel	30.00
Sunnyvale	30.00
Thousand Oaks	30.00
Long Beach	32.00
Menifee	33.75
Cudahy	35.00
Los Banos	35.00
Tustin	55.00
DSRSD	25.00 & 35.00
Escalon	25.00 & 35.00
Gilroy	25.00 & 35.00
Glendora	25.00 & 35.00
Goletta	25.00 & 35.00
Huntington Beach	25.00 & 35.00
Lodi	25.00 & 35.00
Montebello	25.00 & 35.00
Morro Bay	25.00 & 35.00
Signal Hill	25.00 & 35.00
Surf	25.00 & 35.00
Glendora	35.00 & 41.00

**EXHIBIT C**

<b>LOCAL BANKS</b>	<b>NSF Charge per check</b>
Farmers & Merchants Bank	\$ 28.00
Bank of Stockton	\$ 27.50
Wells Fargo Bank	\$ 35.00
Bank of America	\$ 35.00
Bank of Agriculture and Commerce	\$ 29.00
Bank of the West	\$ 35.00
Guaranty Bank	\$ 35.00
<b>LOCAL BUSINESSES</b>	
Longs Drug Stores	\$ 25.00
Lowe's	\$ 25.00
Food-4-Less	\$ 25.00
Wal-Mart	\$ 25.00
Orchard Supply	\$ 25.00

6157. (a) The state, and each city, whether general law or chartered, county, and district, each subdivision, department, board, commission, body, or agency of the foregoing, shall accept personal checks drawn in its favor or in favor of a designated official thereof, in payment for any license, permit, or fee, or in payment of any obligation owing to the public agency or trust deposit, if the person issuing the check furnishes to the person authorized to receive payment satisfactory proof of residence in this state and if the personal check is drawn on a banking institution located in this state.

(b) If any personal check offered in payment pursuant to this section is returned without payment, for any reason, a reasonable charge for the returned check, not to exceed the actual costs incurred by the public agency, may be imposed to recover the public agency's processing and collection costs. This charge may be added to, and become part of, any underlying obligation other than an obligation which constitutes a lien on real property, and a different method of payment for that payment and future payments by this person may be prescribed.

(c) The acceptance of a personal check pursuant to this section constitutes payment of the obligation owed to the payee public agency to the extent of the amount of the check as of the date of acceptance when, but not before, the check is duly paid.

(d) The provisions in subdivision (b) prohibiting a returned check charge being added to, and becoming a part of, an obligation which constitutes a lien on real property do not apply to obligations under the Veterans' Farm and Home Purchase Act of 1974 (Article 3.1 (commencing with Section 987.50) of Chapter 6 of Division 4 of the Military and Veterans Code).

Source Link:

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=gov&group=06001-07000&file=6150-6159>

RESOLUTION NO. 2009-54

A RESOLUTION OF THE LODI CITY COUNCIL  
INCREASING FEE FOR RETURNED CHECK CHARGES  
FROM \$25 TO \$35 FOR EACH RETURNED CHECK

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WHEREAS, the City of Lodi has assessed fees for returned checks under the authority of Civil Code Section 1719; and

WHEREAS, Civil Code Section 1719 limited the City to a fee of \$25 for the first returned item and \$35 for all subsequent items; and

WHEREAS, Government Code Section 6157 provides that a reasonable charge, not to exceed the actual costs of the agency may be imposed for returned items; and

WHEREAS, the costs incurred by staff to collect returned items is \$64.24 per item; and

WHEREAS, staff is sensitive to difficult economic times and is not proposing full cost recovery for returned items.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council hereby approves increasing the fee for all returned items from \$25 to \$35; and

BE IT FURTHER RESOLVED by the Lodi City Council that this Resolution shall become effective immediately.

Dated: May 6, 2009

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I hereby certify that Resolution No. 2009-54 was passed and adopted by the City Council of the City of Lodi in a regular meeting held May 6, 2009, by the following vote:

AYES: COUNCIL MEMBERS – Hitchcock, Johnson, Katzakian, Mounce, and Mayor Hansen

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None

  
Randi Johl  
City Clerk